

TOWN OF NEW LLANO

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-11-06

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| REQUIRED SUPPLEMENTAL INFORMATION (PART I) | |
| Management's Discussion & Analysis | 3-7 |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| Statement of Net Assets | 8 |
| Statement of Activities..... | 9 |
| FUND FINANCIAL STATEMENTS | |
| Governmental Funds | |
| Balance Sheet..... | 10 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 11 |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities..... | 12 |
| Proprietary Funds | |
| Statement of Net Assets | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Net Assets..... | 14 |
| Statement of Cash Flows | 15 |
| Notes to Financial Statements | 16-29 |
| REQUIRED SUPPLEMENTAL INFORMATION (PART II) | |
| General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances (Budget and Actual) | 30-31 |
| Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards | 32-33 |
| Schedule of Findings and Questioned Costs..... | 34 |
| Management's Corrective Action Plan | 35 |
| Schedule of Prior Year Findings and Questioned Cost..... | 36 |

ROZIER, HARRINGTON & McKAY
CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, C.P.A.
M. DALE HARRINGTON, C.P.A. (RETIRED)
MARK S. MCKAY, C.P.A.
LEE W. WILLIS, C.P.A.
STEVEN E. KIMBALL, C.P.A.

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

November 3, 2005

Independent Auditors' Report

The Honorable Mayor
and Members of the Town Council
Town of New Llano, Louisiana

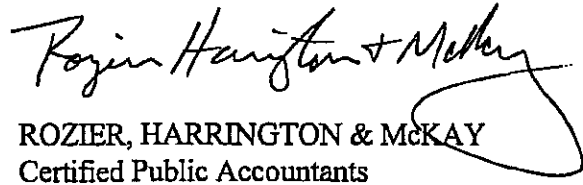
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of New Llano, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of New Llano's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of New Llano, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2005, on our consideration of the Town of New Llano's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

This section of the Town of New Llano's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2005.

Overview of Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 2003) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants, and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with water and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's water and sewer services. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements.

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

| | June 30, 2005 | | | For the Year Ended June 30, 2004 |
|----------------------------------|--|--|---------------------|---|
| | Govern- mental Activities | Business- Type Activities | Total | |
| <u>Assets:</u> | | | | |
| Current and Other Assets | \$ 197,090 | \$ 343,998 | \$ 541,088 | \$ 500,909 |
| Capital Assets | 629,707 | 3,150,602 | 3,780,309 | 3,687,618 |
| Total Assets | <u>826,797</u> | <u>3,494,600</u> | <u>4,321,397</u> | <u>4,188,527</u> |
| <u>Liabilities:</u> | | | | |
| Current and Other Liabilities | 27,784 | 137,848 | 165,632 | 162,026 |
| Long-term Liabilities | 82,857 | 564,973 | 647,830 | 642,000 |
| Total Liabilities | <u>110,641</u> | <u>702,821</u> | <u>813,462</u> | <u>804,026</u> |
| <u>Net Assets:</u> | | | | |
| Invested in Capital Assets (Net) | 539,707 | 2,532,605 | 3,072,312 | 2,991,370 |
| Restricted | — | 186,575 | 186,575 | 135,661 |
| Unrestricted | 176,449 | 72,599 | 249,048 | 257,470 |
| Total Net Assets | <u>\$ 716,156</u> | <u>\$ 2,791,779</u> | <u>\$ 3,507,935</u> | <u>\$ 3,384,501</u> |

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (87.6%) is invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remain outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (5.3%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders. The remaining unrestricted net assets (7.1%) may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

| | For the Year Ended June 30, 2005 | | | For the Year Ended June 30, 2004 |
|------------------------------------|--|--|---------------------|---|
| | Govern- mental Activities | Business- Type Activities | Total | |
| <u>Revenues:</u> | | | | |
| Program Revenue: | | | | |
| Charges for Services | \$ 462,545 | \$ 510,469 | \$ 973,014 | \$ 857,213 |
| Operating Grants and Contributions | 10,264 | — | 10,264 | 12,700 |
| Capital Grants and Contributions | 52,527 | — | 52,527 | 92,075 |
| General Revenue: | | | | |
| Sales Taxes | 118,138 | — | 118,138 | 107,417 |
| Property Taxes | 22,360 | — | 22,360 | 20,367 |
| Franchise Taxes | 81,702 | — | 81,702 | 75,587 |
| Occupational Licenses | 32,865 | — | 32,865 | 38,281 |
| Miscellaneous | 62,098 | 845 | 62,943 | 26,624 |
| Total Revenue | <u>842,499</u> | <u>511,314</u> | <u>1,353,813</u> | <u>1,230,264</u> |
| <u>Program Expenses:</u> | | | | |
| General Government | 168,421 | — | 168,421 | 159,970 |
| Public Safety | 495,212 | — | 495,212 | 418,223 |
| Streets & Drainage | 92,593 | — | 92,593 | 43,757 |
| Recreation | 15,059 | — | 15,059 | — |
| Water | — | 222,483 | 222,483 | 214,886 |
| Sewer | — | 236,611 | 236,611 | 214,004 |
| Total Expenses | <u>771,285</u> | <u>459,094</u> | <u>1,230,379</u> | <u>1,050,840</u> |
| Increase in Net Assets Before | | | | |
| Transfers | 71,214 | 52,220 | 123,434 | 179,424 |
| Transfers | 20,821 | (20,821) | — | — |
| Change in Net Assets | <u>92,035</u> | <u>31,399</u> | <u>123,434</u> | <u>179,424</u> |
| Net Assets Beginning | <u>624,121</u> | <u>2,760,380</u> | <u>3,384,501</u> | <u>3,205,077</u> |
| Net Assets Ending | <u>\$ 716,156</u> | <u>\$ 2,791,779</u> | <u>\$ 3,507,935</u> | <u>\$ 3,384,501</u> |

Governmental activities increased the Town's net assets by \$92,035. In addition to income from fines and court cost, intergovernmental assistance in the form of grant funds contributed to the increase in net assets.

Business-type activities increased the Town's net assets by \$31,399. This increase is primarily due to the increase in water and sewer fees.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Financial Analysis of the Town's Funds

For the year ended June 30, 2005, activity in governmental funds included the general fund and a capital projects fund for street improvements. The differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets and debt acquired to purchase land for the new Town Hall.

Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

General Fund Budget Highlights

The general fund is the only fund required by law to adopt a budget. The budget is amended as necessary and a summary of the general fund budget compared to actual amounts is presented as follows:

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Total Revenues | \$ 598,500 | \$ 663,500 | \$ 888,106 | \$ 224,606 |
| Total Expenditures | 626,500 | 853,000 | 891,224 | (38,224) |
| Excess (deficiency) of revenues over expenditures | (28,000) | (189,500) | (3,118) | 186,382 |
| Operating Transfers In | 28,000 | 60,000 | 17,687 | (42,313) |
| Net Change in Fund Balances | \$ — | \$ (129,500) | \$ 14,569 | \$ 144,069 |

The budgeted expenditures, between the original and final budget, experienced an increase. The increase was a result of increased spending by the police department. To more accurately reflect resources available for the increase in expenditures, appropriations were increased.

Capital Asset Administration

Capital asset activity for the year ended June 30, 2005, is summarized as follows:

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

| | Govern- mental Activities | Business- Type Activities | Total |
|-------------------------------|--|--|---------------------|
| <u>Additions:</u> | | | |
| Land | \$ 100,000 | \$ ---- | \$ 100,000 |
| Equipment and Vehicles | 53,943 | 10,000 | 63,943 |
| Improvements to Streets | 47,527 | ---- | 47,527 |
| Total Additions | 201,470 | 10,000 | 211,470 |
| Depreciation | (34,004) | (84,775) | (118,779) |
| Net Increase (Decrease) | 167,466 | (74,775) | 92,691 |
| Beginning Capital Asset (Net) | 462,241 | 3,225,377 | 3,687,618 |
| Ending Capital Assets (Net) | <u>\$ 629,707</u> | <u>\$ 3,150,602</u> | <u>\$ 3,780,309</u> |

Highlights of the Town's capital asset administration are provided as follows:

- The land was acquired by the Town to build the new Town Hall.
- Equipment purchases were primarily related to purchasing new vehicles for the police department. Additional purchases included a server for Town hall, play ground equipment for the Town's park, and a new truck for the water department.
- Improvements to the Town's streets were necessary to provide better access to the Town's businesses.

Debt Administration

For the year ended June 30, 2005, the Town incurred new debt. The new debt consisted of a note payable in the amount of \$90,000 from Merchant and Farmers Bank to purchase land to build the new Town Hall. Furthermore, existing debt is limited to revenue bonds, certificate of indebtedness, and a capital lease. Further information regarding existing debt is provided as follows:

- Revenue bonds were issued in connection with the construction of the sewer treatment facility. At year end revenue bonds payable totaled \$582,000. Principal payments totaled \$40,000, which represents 6.9% of the outstanding balance.
- Certificate of indebtedness was issued to help pay for sewer system improvements. At year end the certificate of indebtedness payable totaled \$30,973. Principal payments totaled \$36,027.

Factors Expected to Effect Future Operations

Grant funds provided by the State of Louisiana have been awarded for the purpose of building a new Town Hall to better serve citizens.

TOWN OF NEW LLANO

STATEMENT OF NET ASSETS

June 30, 2005

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 146,552 | \$ 92,111 | \$ 238,663 |
| Restricted cash and cash equivalents | - | 186,575 | 186,575 |
| Receivables (net) | 36,379 | 60,640 | 97,019 |
| Prepaid expenses | 14,159 | 4,672 | 18,831 |
| Land | 207,155 | 28,835 | 235,990 |
| Depreciable capital assets, net | <u>422,552</u> | <u>3,121,767</u> | <u>3,544,319</u> |
| Total assets | <u>826,797</u> | <u>3,494,600</u> | <u>4,321,397</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 20,641 | 22,254 | 42,895 |
| Accrued interest payable from restricted assets | - | 5,024 | 5,024 |
| Deposits due others | - | 62,570 | 62,570 |
| Long-term debt | | | |
| Due within one year | 7,143 | 48,000 | 55,143 |
| Due in more than one year | <u>82,857</u> | <u>564,973</u> | <u>647,830</u> |
| Total liabilities | <u>110,641</u> | <u>702,821</u> | <u>813,462</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 539,707 | 2,532,605 | 3,072,312 |
| Restricted for debt service | - | 186,575 | 186,575 |
| Unrestricted | <u>176,449</u> | <u>72,599</u> | <u>249,048</u> |
| Total net assets (deficit) | <u>\$ 716,156</u> | <u>\$ 2,791,779</u> | <u>\$ 3,507,935</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|-------------------------|--|--------------------------------------|-----------|--|---------------------------------|--------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | | Governmental Activities | Business- Type Activities | Total |
| <u>Governmental Activities:</u> | | | | | | | |
| General Government | \$ 168,421 | \$ - | \$ - | \$ - | \$ (168,421) | - | \$ (168,421) |
| Public Safety | 495,212 | 462,545 | 9,964 | - | (22,703) | - | (22,703) |
| Streets & Drainage | 92,593 | - | - | 47,527 | (45,066) | - | (45,066) |
| Recreation | 15,059 | - | 300 | 5,000 | (9,759) | - | (9,759) |
| Total Governmental Activities | 771,285 | 462,545 | 10,264 | 52,527 | (245,949) | - | (245,949) |
| <u>Business-Type Activities:</u> | | | | | | | |
| Water | 222,483 | 331,114 | - | - | - | 108,631 | 108,631 |
| Sewer | 236,611 | 179,355 | - | - | - | (57,256) | (57,256) |
| Total Business-Type Activities | 459,094 | 510,469 | - | - | - | 51,375 | 51,375 |
| Total Primary Government | \$ 1,230,379 | \$ 973,014 | \$ 10,264 | \$ 52,527 | (245,949) | 51,375 | (194,574) |
| <u>General Revenues:</u> | | | | | | | |
| Taxes: | | | | | | | |
| Sales | | | | | 118,138 | - | 118,138 |
| Ad Valorem | | | | | 22,360 | - | 22,360 |
| Licenses & Permits: | | | | | | | |
| Franchise Fees | | | | | 81,702 | - | 81,702 |
| Occupational Licenses | | | | | 32,865 | - | 32,865 |
| Other | | | | | 62,098 | 845 | 62,943 |
| Transfers | | | | | 20,821 | (20,821) | - |
| Total General Revenues | | | | | 337,984 | (19,976) | 318,008 |
| Change in Net Assets | | | | | 92,035 | 31,399 | 123,434 |
| Net Assets Beginning | | | | | 624,121 | 2,760,380 | 3,384,501 |
| Net Assets Ending | | | | | \$ 716,156 | \$ 2,791,779 | \$ 3,507,935 |

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2005

| | General | Capital Projects | Total Governmental Funds |
|---|-------------------|---------------------|-----------------------------|
| Assets | | | |
| Cash & cash equivalents | \$ 146,552 | \$ - | \$ 146,552 |
| Receivables (net) | 36,379 | - | 36,379 |
| Prepaid expenses | 14,159 | - | 14,159 |
| Total assets | \$ 197,090 | \$ - | \$ 197,090 |
| Liabilities and Fund Balance | | | |
| Liabilities | | | |
| Accounts and other payables | \$ 20,641 | - | \$ 20,641 |
| Total liabilities | 20,641 | - | 20,641 |
| Fund Balance | | | |
| Unreserved | 176,449 | - | 176,449 |
| Total Fund Balances | 176,449 | - | 176,449 |
| Total Liabilities and Fund Balance | \$ 197,090 | \$ - | \$ 197,090 |

Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Assets

| | |
|--|-------------------|
| Total Fund Balances - Governmental Funds | \$ 176,449 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 629,707 |
| Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Fund Balance Sheet | (90,000) |
| Net Assets of Governmental Activities | <u>\$ 716,156</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

Year Ended June 30, 2005

| | General | Capital Projects | Total Governmental Funds |
|---|-------------------|---------------------|-----------------------------|
| <u>Revenues:</u> | | | |
| Taxes | | | |
| Ad Valorem | \$ 22,360 | \$ - | \$ 22,360 |
| Sales | 118,138 | - | 118,138 |
| License and permits | | | |
| Occupational Licenses | 32,865 | - | 32,865 |
| Franchise | 81,702 | - | 81,702 |
| Other | 11,779 | - | 11,779 |
| Intergovernmental | 55,060 | 44,393 | 99,453 |
| Fines and fees | 462,545 | - | 462,545 |
| Miscellaneous | 13,657 | - | 13,657 |
| Total revenues | 798,106 | 44,393 | 842,499 |
| <u>Expenditures:</u> | | | |
| Current | | | |
| General Government | 165,323 | - | 165,323 |
| Public Safety | 476,982 | - | 476,982 |
| Streets & Drainage | 84,462 | - | 84,462 |
| Recreation Expenses | 10,514 | - | 10,514 |
| Capital Outlay | 153,943 | 47,527 | 201,470 |
| Total expenditures | 891,224 | 47,527 | 938,751 |
| Excess (deficiency) of revenues over expenditures | (93,118) | (3,134) | (96,252) |
| Other sources (uses) | | | |
| Proceeds from debt | 90,000 | - | 90,000 |
| Operating transfers in (out) | 17,687 | 3,134 | 20,821 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 14,569 | - | 14,569 |
| Fund balance - beginning of year | 161,880 | - | 161,880 |
| Fund balance - end of year | \$ 176,449 | \$ - | \$ 176,449 |

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

Net change in fund balances of Governmental Funds \$ 14,569

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated
over estimated useful lives and reported as depreciation expense.
This is the amount by which capital outlays exceeded depreciation
in the current period 167,466

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds. This is the amount by which
repayments exceeded additional debt. (90,000)

Change in net assets of governmental activities \$ 92,035

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Statement of Net Assets

Proprietary Funds

June 30, 2005

| | Business-Type Activities | | |
|---|--------------------------|---------------------|---------------------|
| | Water System | Sewer System | Total |
| <u>ASSETS:</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 92,111 | - | 92,111 |
| Receivables (net) | 37,767 | 22,873 | 60,640 |
| Prepaid expenses | 2,336 | 2,336 | 4,672 |
| Interfund receivable | - | 12,352 | 12,352 |
| Total current assets | <u>132,214</u> | <u>37,561</u> | <u>169,775</u> |
| Restricted Assets: | | | |
| Cash and cash equivalents | - | 186,575 | 186,575 |
| Noncurrent Assets: | | | |
| Land | - | 28,835 | 28,835 |
| Depreciable capital assets, net | <u>716,153</u> | <u>2,405,614</u> | <u>3,121,767</u> |
| Total assets | <u>848,367</u> | <u>2,658,585</u> | <u>3,506,952</u> |
| <u>LIABILITIES:</u> | | | |
| Current Liabilities: | | | |
| Accounts & other payables | 15,575 | 6,679 | 22,254 |
| Deposits due others | 62,570 | - | 62,570 |
| Interfund Payable | <u>12,352</u> | <u>-</u> | <u>12,352</u> |
| Total current liabilities | <u>90,497</u> | <u>6,679</u> | <u>97,176</u> |
| Liabilities Payable From Restricted Assets: | | | |
| Accrued interest payable from restricted assets | - | 5,024 | 5,024 |
| Current portion of long-term debt | - | 48,000 | 48,000 |
| Noncurrent Liabilities: | | | |
| Long-term debt | <u>-</u> | <u>564,973</u> | <u>564,973</u> |
| Total liabilities | <u>90,497</u> | <u>624,676</u> | <u>715,173</u> |
| <u>NET ASSETS:</u> | | | |
| Invested in capital assets, net of related debt | 716,153 | 1,816,452 | 2,532,605 |
| Restricted for debt service | - | 186,575 | 186,575 |
| Unrestricted | <u>41,717</u> | <u>30,882</u> | <u>72,599</u> |
| Total net assets (deficit) | <u>\$ 757,870</u> | <u>\$ 2,033,909</u> | <u>\$ 2,791,779</u> |

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds Year Ended June 30, 2005

| | Business-Type Activities | | |
|--|--------------------------|---------------------|---------------------|
| | Water System | Sewer System | Total |
| <u>Operating Revenues:</u> | | | |
| Charges for services | \$ 285,732 | \$ - | \$ 285,732 |
| Charges for services pledged as security for revenue bonds | - | 179,355 | \$ 179,355 |
| Other | 45,382 | - | 45,382 |
| Total operating revenues | 331,114 | 179,355 | 510,469 |
| <u>Operating Expenses:</u> | | | |
| Water purchases | 86,794 | - | 86,794 |
| Salaries and wages | 48,047 | 49,382 | 97,429 |
| Materials, supplies, and maintenance | 3,188 | 13,203 | 16,391 |
| Office operations | 14,682 | 25,450 | 40,132 |
| Payroll taxes and expenses | 7,126 | 7,316 | 14,442 |
| Vehicle and travel | 6,930 | 3,998 | 10,928 |
| Insurance | 12,939 | 13,689 | 26,628 |
| Professional fees | 3,266 | 15,379 | 18,645 |
| Miscellaneous | 6,292 | 4,272 | 10,564 |
| Utilities and telephone | 6,300 | 23,887 | 30,187 |
| Depreciation | 24,875 | 59,900 | 84,775 |
| Uniform and equipment rental | 2,044 | 1,362 | 3,406 |
| Total operating expenses | 222,483 | 217,838 | 440,321 |
| Operating Income (Loss) | 108,631 | (38,483) | 70,148 |
| <u>Nonoperating Revenues (Expenses):</u> | | | |
| Interest income | - | 845 | 845 |
| Interest expense | - | (18,773) | (18,773) |
| Change in Net Assets Before Contributions & Transfers | 108,631 | (56,411) | 52,220 |
| <u>Contributions and Transfers:</u> | | | |
| Transfers in (out) | (58,917) | 38,096 | (20,821) |
| Change in Net Assets | 49,714 | (18,315) | 31,399 |
| Total Net Assets - Beginning | 708,156 | 2,052,224 | 2,760,380 |
| Total Net Assets - Ending | \$ 757,870 | \$ 2,033,909 | \$ 2,791,779 |

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2005

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|---|--|------------------|-------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Totals</u> |
| <u>Cash flow from operating activities:</u> | | | |
| Cash received from customers | \$ 331,994 | \$ 178,027 | \$ 510,021 |
| Cash payments to suppliers of goods and services | (160,573) | (110,257) | (270,830) |
| Cash payments to employees for services | (47,531) | (49,018) | (96,549) |
| Net cash provided (used) by operating activities | <u>123,890</u> | <u>18,752</u> | <u>142,642</u> |
| <u>Cash flows from non-capital financing activities:</u> | | | |
| Operating transfers in (out) | (58,916) | 38,096 | (20,820) |
| Cash advances due to other funds | (64,655) | 64,655 | - |
| Net cash provided (used) by non-capital financing activities | <u>(123,571)</u> | <u>102,751</u> | <u>(20,820)</u> |
| <u>Cash flows from capital and related financing activities:</u> | | | |
| Principle paid on capital debt | - | (76,027) | (76,027) |
| Interest paid on capital debt | - | (20,999) | (20,999) |
| Capital Expenditures | (10,000) | - | (10,000) |
| Net cash provided (used) by capital and related financing activities | <u>(10,000)</u> | <u>(97,026)</u> | <u>(107,026)</u> |
| <u>Cash flows from investing activities:</u> | | | |
| Interest and other income | - | 845 | 845 |
| Net cash provided (used) by investing activities | <u>-</u> | <u>845</u> | <u>845</u> |
| Net increase (decrease) in cash | (9,681) | 25,322 | 15,641 |
| Beginning cash balance | <u>101,792</u> | <u>161,253</u> | <u>263,045</u> |
| Ending cash balance | 92,111 | 186,575 | 278,686 |
| Restricted cash | - | 186,575 | 186,575 |
| Cash and cash equivalents | <u>\$ 92,111</u> | <u>\$ -</u> | <u>\$ 92,111</u> |
| <u>Reconciliation of operating income (loss) to net cash</u> | | | |
| Operating income (loss) | \$ 108,630 | \$ (38,483) | \$ 70,147 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 24,876 | 59,901 | 84,777 |
| (Increase) decrease in accounts receivable | (3,063) | (1,328) | (4,391) |
| (Increase) decrease in prepaid expenses | (1,081) | (1,082) | (2,163) |
| (Decrease) increase in operating accounts payable | (9,416) | (256) | (9,672) |
| (Decrease) increase in customer deposits | 3,944 | - | 3,944 |
| Net cash provided (used) by operating activities | <u>\$ 123,890</u> | <u>\$ 18,752</u> | <u>\$ 142,642</u> |

Supplemental Disclosure of Cash Flow Information:

During the year ended June 30, 2005, there were no investing, capital, or financing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Town of New Llano (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police protection), streets and drainage, public improvements, utilities (water and sewerage), and general administrative services.

The accounting and reporting practices of the Town of New Llano, Louisiana conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of New Llano, Louisiana, is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of New Llano, Louisiana, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2005

Based upon the above criteria, the Town of New Llano has no component units for the year ended June 30, 2005.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function, and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- Governmental Funds
 - General Fund – The general fund is the primary operating fund and is used to account for all governmental activities.
 - Capital Projects Fund – The capital projects fund was used to account for funds received from a Louisiana Community Development Block Demonstrated Needs Grant for the purpose of improving the Town's sewer system.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2005

- **Proprietary Funds** – Are used to account for business type activities. The operations of the Town's Water System and Sewer System each utilize separate proprietary funds. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating.

Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described below:

| <u>Financial Statement Presentation</u> | <u>Basis of Accounting</u> | <u>Measurement Focus</u> |
|--|-----------------------------------|---------------------------------|
| Government-Wide Financial Statements | Accrual Basis | Economic Resources |
| Fund Financial Statements: | | |
| Governmental Funds | Modified Accrual Basis | Current Financial Resources |
| Proprietary Funds | Accrual Basis | Economic Resources |
| Fiduciary Funds | Accrual Basis | Economic Resources |

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims, and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines, and court cost is not recognized until it is collected.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2005

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Town Council Members and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

Capital Assets

Infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Capital assets, which include property, equipment, and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town.

Cash and Cash Equivalents and Investments

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments.

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2005

Internal Balances

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Statement of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks, and certificates of deposit.

Compensated Absences

The Town does not accumulate any paid vacation, sick pay, or other employee benefit amounts because employees are not allowed to carry over significant amounts.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2005, cash and cash equivalents totaled \$425,238 (Book Balance) and \$466,808 (Bank Balance). The composition of these accounts is as follows:

| | Book Balance | Bank Balance |
|--------------------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 238,663 | \$ 287,858 |
| Restricted Cash and Cash Equivalents | 186,575 | 178,950 |
| Total | <u>\$ 425,238</u> | <u>\$ 466,808</u> |

Under state law, these deposits must be secured by Federal Deposit Insurance or the pledge of securities owned by the bank. The securities pledged are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2005, all deposits with financial institutions were covered by federal deposit insurance in the amount of \$300,000 and pledged securities (GASB Category 3) with a market value of \$378,457.

Even though the pledged securities are considered Uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2005

NOTE 3 - AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended June 30, 2005, taxes of 4.0 mills totaling \$22,360 were levied and collected on property and were dedicated to general corporate purposes. There were no material amounts of tax receivable at June 30, 2005.

NOTE 4 - RECEIVABLES

The receivables at June 30, 2005, are as follows:

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|------------------|
| <u>Accounts Receivable</u> | | | |
| Utility Customers | \$ ---- | \$ 64,169 | \$ 64,169 |
| Franchise Fees | 5,617 | ---- | 5,617 |
| Other | 2,925 | ---- | 2,925 |
| Total Accounts Receivables | <u>8,542</u> | <u>64,169</u> | <u>72,711</u> |
| <u>Due From Other Governmental Units</u> | | | |
| Sales Taxes | 11,343 | ---- | 11,343 |
| Other | 16,494 | ---- | 16,494 |
| Total due From Other Governments | <u>27,837</u> | <u>----</u> | <u>27,837</u> |
| Total Receivables | <u>36,379</u> | <u>64,169</u> | <u>100,548</u> |
| Allowance for Doubtful Accounts | <u>----</u> | <u>(3,529)</u> | <u>(3,529)</u> |
| Receivables, net of allowance | <u>\$ 36,379</u> | <u>\$ 60,640</u> | <u>\$ 97,019</u> |

NOTE 5 - CAPITAL ASSETS

A summary of the property and equipment at June 30, 2005, consists of the following:

TOWN OF NEW LLANO

Notes To Financial Statements **June 30, 2005**

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| <u>Non Depreciable Capital Assets</u> | | | | |
| Buildings and Land | \$ 107,155 | \$ 100,000 | \$ ---- | \$ 207,155 |
| <u>Capital Assets Being Depreciated</u> | | | | |
| Improvements | 634,338 | 47,527 | ---- | 681,865 |
| Equipment | 486,095 | 53,943 | ---- | 540,038 |
| Total | 1,120,433 | 101,470 | ---- | 1,221,903 |
| Less Accumulated Depreciation | (765,347) | (34,004) | ---- | (799,351) |
| Total | 355,086 | 67,466 | ---- | 422,552 |
| Total Governmental Activities | \$ 462,241 | \$ 167,466 | \$ ---- | \$ 629,707 |
| <u>Business-Type Activities</u> | | | | |
| <u>Non Depreciable Capital Assets</u> | | | | |
| Land | \$ 28,835 | \$ ---- | \$ ---- | \$ 28,835 |
| <u>Capital Assets Being Depreciated</u> | | | | |
| Water Distribution System | 805,472 | ---- | ---- | 805,472 |
| Wastewater System | 2,878,202 | ---- | ---- | 2,878,202 |
| Equipment | 73,267 | 10,000 | ---- | 83,267 |
| Total | 3,756,941 | 10,000 | ---- | 3,766,941 |
| Less Accumulated Depreciation | (560,399) | (84,775) | ---- | (645,174) |
| Total Net of Depreciation | 3,196,542 | (74,775) | ---- | 3,121,767 |
| Total Business-Type | \$ 3,225,377 | \$ (74,775) | \$ ---- | \$ 3,150,602 |

Depreciation expense reported by various functions is presented as follows:

TOWN OF NEW LLANO

Notes To Financial Statements **June 30, 2005**

Governmental Activities:

| | |
|--|------------------|
| General Government | \$ 3,098 |
| Public Safety | 18,230 |
| Streets & Drainage | 8,131 |
| Recreation | 4,545 |
| Total Depreciation – Governmental Activities | <u>\$ 34,004</u> |

Business-Type Activities:

| | |
|---|------------------|
| Water | \$ 24,875 |
| Sewer | 59,900 |
| Total Depreciation – Business-Type Activities | <u>\$ 84,775</u> |

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a summary of payables at June 30, 2005:

| | <u>Payable to Vendors</u> | <u>Accrued Wages</u> | <u>Other Payables</u> | <u>Total Payables</u> |
|---|-------------------------------|--------------------------|---------------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | |
| General Fund | <u>\$ 7,795</u> | <u>\$ 12,846</u> | <u>\$ ---</u> | <u>\$ 20,641</u> |
| <u>Business-Type Activities:</u> | | | | |
| Water System | 10,104 | 2,322 | 3,149 | 15,575 |
| Wastewater System | 4,299 | 2,380 | --- | 6,679 |
| Total Business-Type | <u>14,403</u> | <u>4,702</u> | <u>3,149</u> | <u>22,254</u> |
| Total Payables | <u>\$ 22,198</u> | <u>\$ 17,548</u> | <u>\$ 3,149</u> | <u>\$ 42,895</u> |

NOTE 7 – LONG TERM DEBT

Debt attributable to the Town's business-type activities is summarized as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|------------------------------|------------------------------------|-------------------------------------|
| Note Payable | \$ 90,000 | \$ --- |
| Sewer Revenue bonds | --- | 582,000 |
| Certificates of Indebtedness | --- | 30,973 |
| Total Long-term Debt | 90,000 | 612,973 |
| Due Within One Year | (7,143) | (48,000) |
| Due in More Than One Year | <u>\$ 82,857</u> | <u>\$ 564,973</u> |

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2005

Changes in the Town's long-term debt activity for the year ended June 30, 2005, is summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Payments</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | |
| Note Payable | \$ ---- | \$ 90,000 | \$ ---- | \$ 90,000 |
| <u>Business-Type Activities:</u> | | | | |
| Sewer Revenue bonds | 622,000 | ---- | 40,000 | 582,000 |
| Certificates of Indebtedness | 67,000 | ---- | 36,027 | 30,973 |
| Total | 689,000 | ---- | 76,027 | 612,973 |
| | <u>\$ 689,000</u> | <u>\$ 90,000</u> | <u>\$ 76,027</u> | <u>\$ 702,973</u> |

Sewer Revenue Bonds

The Sewer Revenue Bonds constitute special obligations of the Town secured by a lien on and pledge of the net revenues of the utility system.

Sewer Revenue Bonds, dated August 30, 1996, due in annual installments ranging from \$33,920 to \$57,000, maturing March 1, 2017, bearing interest at a rate of 2.45%. Revenue generated by the Town's water and sewer system has been pledged to secure these bonds.

\$ 582,000

Total Revenue Bonds

\$ 582,000

Certificates of Indebtedness

The Town has issued certificates which are secured by and payable from a pledge of excess of annual revenues above statutory, necessary and usual charges incurred by the Town. Certificates of indebtedness outstanding at June 30, 2005, are described below.

\$80,000 Certificates of Indebtedness, Series 2002, bearing interest at a rate of 5%. Principal is payable in annual installments ranging from \$6,000 to \$10,000, with the final installment due January 1, 2012.

\$ 30,973

Total

\$ 30,973

TOWN OF NEW LLANO

Notes To Financial Statements **June 30, 2005**

Note Payable

The Town has acquired real estate by entering into a note payable. The note and the outstanding balance at June 30, 2005, are described below:

A note payable dated June 3, 2005, executed in exchange for real estate, with an original balance of \$90,000, bearing interest at a rate of 5.00%, payable in 118 monthly installments of \$969.

\$ 90,000

Total

\$ 90,000

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to June 30, 2005, are as follows:

| <u>Year Ended June 30</u> | <u>Principal Installments</u> | | | | <u>Interest</u> |
|---------------------------------|-------------------------------|----------------------|-------------------------------------|--------------|-----------------|
| | <u>Note Payable</u> | <u>Revenue Bonds</u> | <u>Certificates of Indebtedness</u> | <u>Total</u> | |
| <u>Governmental Activities</u> | | | | | |
| 2006 | \$ 7,143 | \$ ---- | \$ ---- | \$ 7,143 | \$ 4,490 |
| 2007 | 7,663 | ---- | ---- | 7,663 | 3,969 |
| 2008 | 8,056 | ---- | ---- | 8,056 | 3,577 |
| 2009 | 8,468 | ---- | ---- | 8,468 | 3,165 |
| 2010 | 8,901 | ---- | ---- | 8,901 | 2,731 |
| 2011-2015 | 49,769 | ---- | ---- | 49,769 | 6,346 |
| Total Governmental | \$ 90,000 | \$ ---- | \$ ---- | \$ 90,000 | \$ 24,278 |
| <u>Business-type Activities</u> | | | | | |
| 2006 | \$ ---- | \$ 41,000 | \$ 7,000 | \$ 48,000 | \$ 15,304 |
| 2007 | ---- | 42,000 | 8,000 | 50,000 | 14,453 |
| 2008 | ---- | 44,000 | 8,000 | 52,000 | 13,024 |
| 2009 | ---- | 45,000 | 7,973 | 52,973 | 13,821 |
| 2010 | ---- | 46,000 | ---- | 46,000 | 12,095 |
| 2010 – 2014 | ---- | 252,000 | ---- | 252,000 | 39,206 |
| 2015 – 2017 | ---- | 112,000 | ---- | 112,000 | 4,986 |
| Total | \$ ---- | \$ 582,000 | \$ 30,973 | \$ 612,973 | \$ 112,889 |

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2005***

The total interest charged to expense for the current year is \$18,773.

NOTE 8 - WATER CONTRACT

The Town has a contract with the City of Leesville for the purchase of water. The contract has a primary term of four (4) years commencing April 1, 2002. There are no minimum payments required under the contract except for amounts of actual delivery, with the rates set at one dollar and five cents (\$1.05) per one thousand (1,000) gallons for the entire contract period.

NOTE 9 - RISK MANAGEMENT

The Town of New Llano is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 10 - COMPENSATION OF ELECTED OFFICIALS

For the year ended June 30, 2005, the amounts of salaries and wages paid to the Mayor and Town Council Members were as follows:

| <u>Name</u> | <u>Position</u> | <u>Salary</u> |
|------------------|-----------------|------------------|
| Freddie Boswell | Mayor | \$ 26,000 |
| Carolyn Todd | Councilwoman | 3,125 |
| Danny Hunt | Councilman | 3,125 |
| Ervin Wilson | Councilman | 3,125 |
| Charles Balthrop | Councilman | 3,125 |
| Charlotte Cooper | Councilwoman | 3,125 |
| Totals | | <u>\$ 41,625</u> |

NOTE 11- PENSION PLAN

Substantially all employees of the Town of New Llano, Louisiana, are members of the Municipal Employees Retirement Systems of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2005***

retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of New Llano is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of New Llano are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

NOTE 12- RESTRICTED RESOURCES

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants. Amounts on deposit in these accounts are reported as restricted cash. In addition the corresponding amounts of net assets are also presented as restricted net assets.

NOTE 13 – INTERFUND BALANCES

As discussed in Note 1, interfund transactions arise when the water fund disburses funds on behalf of the sewer fund. The balance outstanding at June 30, 2005, for the interfund balances are summarized as follows:

| | Business-Type | |
|----------------------------|----------------------|-------------------|
| | Water Fund | Sewer Fund |
| Interfund Receivable | \$ ---- | \$ 12,352 |
| Interfund Payable | (12,352) | ---- |
| Total Business-Type | \$ (12,352) | \$ 12,352 |

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2005***

NOTE 14 – TRANSFERS

In the ordinary course of business, the Town routinely transfers resources between its funds for various reasons. A description of the transfers and purpose for the transfers is presented below:

| | Governmental Activities | | |
|---|-------------------------|------------------|-----------|
| | General Fund | Capital Projects | Total |
| <u>Transfers In:</u> | | | |
| Transfer of resources to cover payroll liabilities and other expenses. | \$ 35,592 | \$ --- | \$ 35,592 |
| Transfer of resources to cover expenses necessary to repair streets and drainage. | 25,229 | 3,134 | 28,363 |
| Total Transfers In | 60,821 | 3,134 | 63,955 |
| <u>Transfers Out:</u> | | | |
| Transfer of resources for payment of debt. | (30,000) | --- | (30,000) |
| Transfer of resources to cover expenses necessary to repair streets and drainage. | (3,134) | | (3,134) |
| Transfer of resources to purchase new equipment. | (10,000) | --- | (10,000) |
| Total Transfers Out | (43,134) | --- | (43,134) |
| Total Net Transfers In (Out) | \$ 17,687 | \$ 3,134 | \$ 20,821 |

| | Business-Type | | |
|--|---------------|------------|-----------|
| | Water Fund | Sewer Fund | Total |
| <u>Transfers In:</u> | | | |
| Transfer of resources for payment of debt. | \$ --- | \$ 30,000 | \$ 30,000 |
| Transfer of resources to purchase new equipment. | 10,000 | --- | 10,000 |
| Other | --- | 8,096 | 8,096 |
| Total Transfers In | 10,000 | 38,096 | 48,096 |

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2005***

Transfers Out:

| | | | |
|--|--------------------|------------------|--------------------|
| Transfer of resources to cover payroll liabilities and other expenses. | (35,592) | --- | (35,592) |
| Transfer of resources to cover expenses necessary to repair streets and drainage. | (25,229) | | (25,229) |
| Other | (8,096) | ---- | (8,096) |
| Total Transfers Out | <u>(68,917)</u> | <u>---</u> | <u>(68,917)</u> |
| Total Net Transfers In (Out) | <u>\$ (58,917)</u> | <u>\$ 38,096</u> | <u>\$ (20,821)</u> |

TOWN OF NEW LLANO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2005

| | Budget Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------|----------------|----------------|----------------|---|
| | Original | Final | Amounts | |
| Revenues: | | | | |
| Taxes | | | | |
| Ad Valorem | \$ 20,000 | \$ 20,000 | \$ 22,360 | \$ 2,360 |
| Sales | 90,000 | 80,000 | 118,138 | 38,138 |
| License and permits | | | | |
| Occupational Licenses | 30,000 | 25,000 | 32,865 | 7,865 |
| Franchise | 55,000 | 70,000 | 81,702 | 11,702 |
| Other | - | - | 11,779 | 11,779 |
| Intergovernmental | 4,300 | 4,300 | 55,060 | 50,760 |
| Fines and fees | 380,000 | 400,000 | 462,545 | 62,545 |
| Miscellaneous | 19,200 | 64,200 | 13,657 | (50,543) |
| Total revenues | 598,500 | 663,500 | 798,106 | 134,606 |
| General Government: | | | | |
| Salary - mayor and aldermen | 37,000 | 41,000 | 41,625 | (625) |
| Salaries - other | 52,000 | 50,000 | 33,011 | 16,989 |
| Office operations | 9,000 | 30,000 | 15,474 | 14,526 |
| Payroll taxes and expenses | 12,500 | 12,000 | 11,105 | 895 |
| Insurance | 18,000 | 20,000 | 15,901 | 4,099 |
| Professional fees | 23,500 | 25,000 | 24,228 | 772 |
| Miscellaneous | 30,000 | 32,000 | 17,167 | 14,833 |
| Utilities and telephone | 9,500 | 9,000 | 6,812 | 2,188 |
| Total general government | 191,500 | 219,000 | 165,323 | 53,677 |
| Public Safety: | | | | |
| Salaries | 199,000 | 250,000 | 241,605 | 8,395 |
| Payroll taxes and expenses | 25,000 | 40,000 | 36,193 | 3,807 |
| Mayors court | 18,500 | 30,000 | 28,006 | 1,994 |
| Office operations | 15,000 | 40,000 | 39,143 | 857 |
| Vehicle operations | 20,000 | 35,000 | 19,512 | 15,488 |
| Insurance | 40,000 | 75,000 | 67,867 | 7,133 |
| Prisoner expense | 20,000 | 20,000 | 15,160 | 4,840 |
| Miscellaneous | 31,500 | 43,000 | 29,496 | 13,504 |
| Total public safety | 369,000 | 533,000 | 476,982 | 56,018 |

Continued...

TOWN OF NEW LLANO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2005

| | Budget Amounts | | Actual | Variance with |
|---|-----------------|------------------|-----------------|-----------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| <u>Streets & Drainage:</u> | | | | |
| Salaries | 25,000 | 25,000 | 24,715 | 285 |
| Payroll taxes and expenses | 4,000 | 4,000 | 1,858 | 2,142 |
| Utilities | 20,000 | 20,000 | 21,116 | (1,116) |
| Repairs and maintenance | 2,000 | 2,000 | 34,576 | (32,576) |
| Miscellaneous | 10,000 | 10,000 | 2,197 | 7,803 |
| Total streets & drainage | 61,000 | 61,000 | 84,462 | (23,462) |
| <u>Recreation</u> | | | | |
| Recreation Expenses | - | - | 10,514 | (10,514) |
| <u>Capital Expenditures</u> | | | | |
| Capital Outlay | 5,000 | 40,000 | 153,943 | (113,943) |
| Total expenditures | 626,500 | 853,000 | 891,224 | (38,224) |
| Excess (deficiency) of revenues over expenditures | (28,000) | (189,500) | (93,118) | 96,382 |
| Other sources (uses) | | | | |
| Proceeds from debt | - | - | 90,000 | 90,000 |
| Operating transfers in (out) | 28,000 | 60,000 | 17,687 | (42,313) |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | - | (129,500) | 14,569 | 144,069 |
| Fund balance - beginning of year | 826 | 161,880 | 161,880 | - |
| Fund balance - end of year | 826 | 32,380 | 176,449 | 144,069 |

ROZIER, HARRINGTON & McKAY
CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, C.P.A.
M. DALE HARRINGTON, C.P.A. (RETIRED)
MARK S. MCKAY, C.P.A.
LEE W. WILLIS, C.P.A.
STEVEN E. KIMBALL, C.P.A.

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

November 3, 2005

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor
and Members of the Town Council
New Llano, Louisiana

We have audited the general purpose financial statements of the Town of New Llano, Louisiana as of and for the year ended June 30, 2005, and have issued our report thereon dated November 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance


As part of obtaining reasonable assurance about whether the Town of New Llano, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of New Llano, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The Honorable Mayor
and the Board of Aldermen
November 3, 2005
Page 2

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town of New Llano, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Part I - Summary of Auditor's Results:

- The Independent Auditor's Report on the financial statements for the Town of New Llano as of June 30, 2005, and for the year then ended expressed an unqualified opinion.
- No reportable condition was noted in the audit.
- The results of the audit disclosed no instance of noncompliance that is considered to be material to the financial statements of the Town of New Llano.
- The Town was not required to have a Single Audit; therefore, none of the reporting required by OMB Circular A-133 was required.

Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

- None

Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None

Town of New Llano, Louisiana
Management's Corrective Action Plan
For the Year Ended June 30, 2005

| | |
|---|----------------|
| SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS | |
| Finding - N/A -- There were no findings in this area. | Response - N/A |
| SECTION II -- INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| Finding - N/A -- There were no findings in this area. | Response - N/A |
| SECTION III -- MANAGEMENT LETTER | |
| Finding - N/A -- There was no management letter issued with this report. | Response - N/A |

Town of New Llano, Louisiana
Schedule of Prior Year Findings
For the Year Ended June 30, 2005

| | |
|---|----------------|
| SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS | |
| N/A – There were no findings in this area. | Response - N/A |

| | |
|--|----------------|
| SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| N/A – There were no findings in this area. | Response - N/A |

| | |
|--|----------------|
| SECTION III – MANAGEMENT LETTER | |
| N/A – There were no findings in this area. | Response - N/A |